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SUBJECT: SLOVENIA ADDRESSING ISSUE OF AGING POPULATION

REF: A. SECSTATE 29783

1B. LJUBLJANA 75

11. (U) SUMMARY. Slovenia faces the need to revise pension reforms in light of an aging population and the heavy public expenditures this entails. The Government of Slovenia (GOS) implemented labor reforms in 1999, extending the retirement age. Then in 2001, stop-gap labor reform measures went into effect, extending the retirement age yet again. The GOS has until 2013 to implement permanent pension and healthcare reforms. The GOS states that the current pension system is sound and can last as-is for at least 20 years. Other officials and experts claim that the current system is teetering on a knife's edge and could face a crisis within five years. END SUMMARY.

12. (U) The Slovenian Statistics Office estimates that 35 percent of Slovenians will be over 65 by 2050, in contrast to the current 15 percent. Slovenia must deal with a number of tough labor issues: a large number of pensioners from the Yugoslav days that need to be supported, generous retirement packages that undermine motivation for individuals to remain in the workforce, and difficulty for foreigners in obtaining work permits. In 1999, the GOS implemented the first set of labor reforms, which led to raising the retirement age and abolishing early voluntary retirement. In 2001, the GOS introduced a new pension reform plan formulated specifically to reduce financial burdens on the public of Slovenia's aging population. This included increasing the retirement age each year until retirement age reaches 63 for men by 2008. The retirement age for women will increase to 61 by 2013. This plan will be extended or revised in 2013.

12. (SBU) There is a debate in Slovenia as to the health of the current pension plan. Slovenian officials firmly state that the pension system is in good shape and can last in its present condition for another 20 years. Other experts, former Minister of Finance Dusan Mramor among them, believe that if nothing is done, the pension system will collapse in five years, as the percentage of retirees continues to grow. In March 2006, European Commissioner Joaquin Almunia stated that Slovenia will need to implement reforms to its public finance system in order to combat the "well-known effects" of an aging population. The European Commission entered the pension debate, issuing several calls for Slovenia to shore up the sustainability of its pension system. In a report released December 2006, the Commission criticized Slovenia's decision to gradually increase the pension age and the "weak" financial incentives to work longer. Prime Minister Janez Jansa declared that 2007 is the year for labor reform. To that end, the new Minister of Labor, Barbara Cotman, has already started meeting with employers and labor unions to implement the labor reform mandate (Ref B).

COLEMAN